physiocrats begins the scientific structure elaborated by Adam Smith and his immediate followers, whose work Cossa sketches in broad outline but with a sure hand.

Up to this point we have surveyed scarcely half of the historical part of the work. It would be manifestly impossible to trace the remainder of the history in detail. Cossa sketches the development and present condition of economics, in the various countries of Europe, as well as in America. The wealth of bibliographical notices shows a most remarkable acquaintance with the contemporary economic movement. Chapters like those on the Netherlands, the Scandinavian countries, Finland, Bohemia, Poland and Russia are especially valuable because they are rich in information which it will be impossible to find in any other work. A special chapter on the United States, which is entirely new, contains such an ample account of the leading writers, that few of the American economists themselves would find much to change or add.

It might be regretted that the author did not add to his analysis of the condition of economics in the various countries, a short account of the general characteristics of the science in recent years. But this lack the reader can easily supply for himself after having gone through the pages of this learned work. Its publication marks a real epoch in the science, and it is safe to predict that it will soon be translated into pretty much every civilized language. An English edition will be published shortly by Macmillan.

UGO RABBENO.

Prezzi Ideali e Prezzi Effettivi. By Prof. GIACOMO LUZZATTI. Milan, Ulrico Hoepli, 1892. — 221 pp.

It was long ago said of the Italians that they have given to the world the best writings that we have on the subject of money. Whether or not this is true to-day, the work before us is a convincing proof that they can still furnish the world with original and valuable thought in this department of economic science. The full title of Professor Luzzatti's work is : *Ideal and Effective Prices, or, Notes of Study upon the Value of Money in the Economy of a People.* There is no division into chapters or sub-headings, but the principal points discussed may be grouped under the following heads : The origin of crises, and their relation to prices and to the money market ; the relation of prices to the quantity of metallic money ; the nature of discount and interest, and their relation to prices and to the metallic (money) reserve ; the value of money in relation to its

cost and to its quantity; and finally, historical illustrations of the theory set forth. The text itself occupies only about one-half of the book, the other half consisting of notes which are largely critical, but which on the whole form a valuable supplement that frequently helps to elucidate the text. Of the text about three-fourths is devoted to a deductive, or theoretical, and one-fourth to an inductive, or practical, treatment of the subject. The theoretical discussion is very concise and almost wholly abstract, being seldom illuminated by concrete examples. Although the discussion of the various questions involved is brief, it is very suggestive and evinces a profound study of monetary science.

It will be impossible within the limits of a review to give any adequate account of Professor Luzzatti's arguments, but we may perhaps best indicate his own position, and at the same time the general scope of the book, by saying that it is virtually a strictly scientific refutation of the quantitative theory of money value, which appears so self-evident and axiomatic to Mr. Giffen. Granting his premises, Professor Luzzatti's conclusions follow by a logical necessity. But whether we agree with him or not, he has at least shown us that Mr. Giffen has by no means said the last word upon this subject, and that the question is not so easily solved as he had imagined. That our author's treatment of the question should be complete or exhaustive, could not well be expected in mere "Notes of Study," and we find it especially lacking in concrete examples taken from modern industrial life.

The theoretical treatment, though condensed, is more satisfactory. Its fundamental presupposition is the reality of the ideal, as the ultimate cause, or determining force, in economic life. More definitely, it is that values, or ratios of exchange of commodities, are estimated by means of an "ideal monetary unit"—the *tertium aestimationis;* that upon the basis of this ideality, ideal prices are determined according to the complex social wealth and reproductive force of society, "the movement of prices, other things being equal, following the movement of complex social wealth." And since it is the tendency of social wealth to increase, so also is it the tendency of ideal prices to rise, there being no doubt in the mind of our author "that the increase in social wealth is the prime cause, or at least the *sine qua non*, of a tendency of prices to rise."

It is important to note that it is not the wealth actually existing at any given time, not the being *(l'essere)*, but the becoming *(il divinere)* of the complex social wealth that influences the movement of prices.

In other words it is the "productive energy," the "reproductive force," stimulated by ideal prices in view of prospective profits. Upon these ideal prices depend the whole movement of trade and the quantity and value of money.

Opposed to ideal are effective prices, or the money prices by which exchanges are effected. Their tendency is always to decrease and they are low or high according as ideal prices are high or low. It is these effective prices that stand in most immediate connection with and dependence on quantity of money, but

> cost and quantity can have no influence upon effective prices except in the same measure in which ideal prices, in order to be effective, demand at a certain price a greater or less quantity of money. The quantity offered in excess of the demand does not enter into circulation and so cannot act upon the prices. [Page 62.]

According to Professor Luzzatti it is one of the errors of the opposing, or quantitative theory, that the use of precious metals as commodities is confounded with their use as money, and both uses considered as having the same effect on prices. Another error, frequently reiterated, is that effect is taken for cause, and our author despairs of political economy ever becoming more than an art unless economists will go beyond proximate, and search for ultimate causes. The true sequence is not quantity, value, price ; but ideal price (in view of prospective profits), value, quantity, effective price. It is ideal prices that determine value, and therefore regulate interest; while discount results from effective prices.

That part of the book which has perhaps the most general interest is Professor Luzzatti's account of the development of crises, where the evil of an excessive concentration of wealth is pointed out. Without attempting to substantiate this part of his thesis by concrete facts, he briefly outlines the process by which he conceives the concentration of wealth to take place, and shows that it is always attended by a comparative want or misery in the many, which leads to a physiological deterioration that is detrimental to the productive energy of society. The result of the concentration is low ideal and high effective prices, which leads to a new frenzy for speculation, with its concomitant "excessive over-production due to an excessive under-consumption," because of the excessive concentration of wealth and the consequent lack of purchasers. The most healthy condition is when there is a more equal distribution of wealth, with high ideal and low effective prices.

STEPHEN F. WESTON.